Washington, D.C. - Citing the meltdown of insurance giant AIG and the broad crisis in the nation’s financial system as proof of the vital need for regulatory reform, Congresswoman Melissa Bean (D-IL-08) and Congressman Ed Royce (R-CA-40) introduced the National Insurance Consumer Protection Act to create a robust federal regulator for insurance to act as an alternative to the antiquated, non-uniform system of state insurance regulators currently in operation.

“The events of 2008 show us that insurance reg reform can no longer be postponed — it is needed now,” Bean said. “This bill will provide consumer protection and choice while eliminating barriers to industry competitiveness in the global market.”

"Never before has the federal government been so invested in an industry it has no regulatory authority over. Leaving the business of insurance regulation solely to the various state insurance commissioners, while the federal government provides taxpayer-funded assistance is simply irresponsible." Royce said.

The National Insurance Consumer Protection Act (NICPA) establishes a national system of regulation and supervision for nationally registered insurers, agencies, and producers (agents and brokers) to monitor the systemic risk to the economy from the insurance market, enhance consumer protection and choice, and reduce inefficient regulatory complexity that puts U.S. firms at a competitive disadvantage. States would maintain responsibility for regulating state-licensed insurers, agencies and producers.

Major points of the bill include:

- Consumer protections. By creating a world-class regulator, consumers working with a nationally chartered insurer benefit from best practices in consumer protection. The bill directly implements the model laws propagated by the National Association of Insurance Commissioners covering consumer protection. A single nationwide telephone number will connect consumers with problems to their local federal or state insurance regulator. The Office of National Insurance will have a physical office and staff in every state through its Division of Consumer Affairs.
- Consumer choice. By eliminating outdated price controls insurance customers across the country will have products more closely reflecting actuarially sound prices available to them. (Illinois, one of the only states without price controls, enjoys lower-than-average insurance rates

as insurers compete for customers.) By providing an alternative to the antiquated patchwork of state regulators, nationally chartered insurers will be able to bring new products to market more quickly, providing greater consumer options.

- Risk reduction. NICPA reflects the importance of monitoring the insurance sector for "systemic threats" to the economy and anticipates the need to coordinate with a systemic risk regulator, likely to be created by Congress. The bill calls on this regulator to gather financial data from insurers and affiliates within holding companies, and to consult with the Office of National Insurance to determine the most effective form of functional regulation for systemically important institutions. Under these provisions, AIG's insurance subsidiaries – in addition to its holding companies and non-insurance subsidiaries, like the financial products division – would have been overseen by ONI.

Insurance reg reform has been recommended in numerous bipartisan reports on financial services modernization, such as the Schumer/Bloomberg report on United States competitiveness, the Treasury Department's Blueprint for a Modernized Financial Regulatory Structure, and the report by the U.S. Chamber of Commerce's bipartisan commission on capital market competitiveness. Additionally, Timothy Geithner and Federal Reserve Chairman Ben Bernanke have recently noted the systemic gap exploited by AIG and called for a review of our insurance regulations as a critical component of the broad regulatory reform needed to prevent another future collapse of the financial system as occurred in 2008. During a Senate Budget Committee hearing on March 3 Bernanke stated, "[AIG] made huge numbers of irresponsible bets, took huge losses, there was no regulatory oversight because there was a gap in the system." Just last week during a House Financial Services Committee hearing Geithner said, "What we need is better, smarter, tougher regulation, because we've seen the costs of these weaknesses and gaps are catastrophic to the system as a whole."

"Beyond the inefficiencies created by the fragmented state-based system overseeing insurance, systemic gaps have revealed themselves in recent months. Until these gaps are filled, the threat of another AIG remains." Royce said. "Our legislation will go a long way toward filling those gaps."

"The complexity of the modern financial system of insurance conglomerates and holding companies cannot be adequately overseen by the state-based system, as shown by recent events," Bean said. "Insurance reg reform that protects consumers and investors must be included as Congress moves ahead on comprehensive reg reform of the financial services sector."

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